GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5069
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BASEL H NORMS FOR BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has issued Basel-II norms for banks operating in the country;

(b) if so, the details of the guidelines issued in this regard; and

(c) the extent to which customers will be benefited therefrom ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): RBI had, initially, issued draft guidelines for implementation of the New Capital Adequacy Framework on 15.2.2005, wherein the banks were required to implement the revised capital adequacy framework with effect from 31st March, 2007. However, taking into account the state of preparedness of the banking system, RBI has decided to provide banks some more time to put in place appropriate systems so as to ensure full compliance with Basel II norms. Foreign banks operating in India and Indian banks having presence outside India are to migrate to the standardized approach for credit risk and the basic indicator approach for operational risk under Basel II with effect from 31st March 2008. All other scheduled commercial banks are to migrate to these approaches under Basel II not later than 31st March, 2009.

(c): The Basel II norms are expected to foster financial stability by allowing banks to evaluate properly the various risks that they face, realign regulatory capital more closely with underlying risks and empower market participants to make informed judgements about the efficiency of banks. The sound and efficient functioning of banking sector would enable higher growth of the real sector and strengthen the social sector. The banks are also expected to take the risk profile of customers into account while advancing credit to them, and pricing such credit.